

EXECUTIVE SECRETARIAT

ROUTING SLIP

ROUTING AND TRANSMITTAL SLIP

24 Nov 86

TO: (Name, office symbol, room number,
building, Agency/Post)

Initials Date

1. DIRECTOR OF FINANCE

2.

3.

4.

5.

Action	File	Note and Return
Approval	For Clearance	Per Conversation
As Requested	For Correction	Prepare Reply
Circulate	For Your Information	See Me
Comment	Investigate	Signature
Coordination	Justify	

REMARKS

#1 - FOR ACTION

SUSPENSE: 28 NOVEMBER 1986

STAT

Remarks To 6 & 12: Note report due by
30 Nov 86.DO NOT use this form as a RECORD of approvals, concurrences, disposals,
clearances, and similar actions

FROM: (Name, org. symbol, Agency/Post)

Room No.—Bldg.

Phone No.

EXA/DDA

OPTIONAL FORM 41 (Rev. 7-76)
Prescribed by GSA
FPMR (41 CFR) 101-11.306

* U.S.G.P.O. 1963-421-529/320

DDA 5453X-86
TO:

	ACTION	INFO	DATE	INITIAL
1 DCI				
2 DDCI				
3 EXDIR		X		
4 D/ICS				
5 DDI				
6 DDA	X			
7 DDO				
8 DDS&T				
9 Chm/NIC				
10 GC				
11 IG				
12 Compt	X			
13 D/OLL				
14 D/PAO				
15 D/PERS				
16 VC/NIC				
17 D/Finance		X		
18				
19				
20				
21				
22				

SUSPENSE

Date

STAT

Executive Secretary
21 Nov 86
Date

3637 (10-81)



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
 WASHINGTON, D.C. 20503

86- 5453x

November 13, 1986



M-87-13

MEMORANDUM FOR HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES

FROM: Joseph R. Wright, Jr.
 Deputy Director and
 Chairman, President's Council on
 Management Improvement

SUBJECT: Annual Report on Payment Practices

The enactment and implementation of the Prompt Payment Act of 1982 has led to substantial improvements in Federal bill paying performance. Based on GAO reports in 1978 and 1986 the number of vendor payments made after the due date has been reduced from 30% to 24% and the number of payments made too early was reduced from 37% to 23% during those periods. Those initiatives have resulted in significantly improved service to vendors and hundreds of millions in savings to the Government by avoiding early payments.

However, it is apparent, based on the findings, that the full potential of the law has not yet been realized. The percentages of payments made late or early are still too high. Very significant improvements must be made in these areas. The GAO has indicated that agencies pay only one of every six late payment penalties due to vendors. They also found a significant number of cases where discounts are improperly taken and never refunded by government payment centers. These kinds of practices are totally inappropriate and need to be eliminated at once.

Given the nature of the findings in the GAO report it is important that each agency thoroughly address the manner in which it is implementing the Prompt Payment Act and take appropriate actions necessary to ensure that:

- payments are made as prescribed by the act and OMB Circular A-125,
- interest penalties are paid in all cases where appropriate, and
- discounts are taken only when earned.

Effective compliance with Circular A-125 is something that must be ensured. To help enable such assurance we are expanding reporting under OMB Circular A-123, "Internal Control Systems," to require that deficiencies in the implementation of prompt pay are treated as material weaknesses under the Federal Managers Financial Integrity Act.

The Prompt Payment Act requires that the Director of OMB report to the Congress within 120 days after the end of the fiscal year on agency compliance with the act. In order to prepare the report, agencies are required to submit certain information to OMB within 60 days after the end of the fiscal year.

The report form for FY 1986 is attached. It has been expanded this year to include information on invoice payments made after the due date that did not include interest penalties. In addition, the report includes questions regarding agencies' progress in implementing specific areas of the act and the circular. The additional information will allow OMB to provide a more comprehensive report to the Congress. Agencies should report individual invoice payments wherever information is requested on "payments." Penalties prescribed by tariffs should be included in Section II. Answers to specific questions should be provided on separate sheets. Reasonable measures should be taken to validate the accuracy of the data reported.

Agency reports are due November 30, 1986, and should be sent to:

Office of Management and Budget
Financial Management Division
Room 10235
New Executive Office Building
Washington, D.C. 20503

Questions should be addressed to Marvin E. Saunders on
(202) 395-3993.

Attachment

Department/Agency

PROMPT PAYMENT REPORT

October 1, 1985 -- September 30, 1986

	<u>FY 86</u>	<u>Reported FY 85</u>
I. <u>Payments subject to the Prompt Payment Act and OMB Circular A-125:</u>		
A. Dollar Amount	\$ _____	\$ _____
B. Number	_____	_____
II. <u>Payments made more than 15 days after due date:</u>		
A. Dollar Amount	\$ _____	\$ _____
B. Number	_____	_____
C. Interest penalties paid:		
1. Dollar Amount	\$ _____	\$ _____
2. Number	_____	_____
3. Relative Frequency (II.C.2. - I.B)	_____ %	_____ %
4. Reasons why interest penalties incurred. (Rank according to frequency of occurrence)		
-- Delay in paying office's receipt of:		
o receiving report	()	()
o proper invoice	()	()
o purchase order or contract	()	()

	<u>FY 86</u>	<u>Reported FY 85</u>
-- Delay or error by paying office in:		
o taking discount	()	()
o notifying vendor of defective invoice	()	()
o computer or other system processing	()	()

III. Payments made 1-15 Days After Due
Date (During Grace Period)

A. Dollar amount (Total)	\$ _____	\$ <u>N/A</u>
(1) 1-7 days	(\$ _____)	
(2) 8-15 days	(\$ _____)	
B. Number (Total)	_____	<u>N/A</u>
(1) 1-7 days	(_____)	
(2) 8-15 days	(_____)	
C. Relative frequency (Overall) (III.B - I.B)	_____ %	<u>N/A</u> %
(1) 1-7 days (III.B.1 - I.B)	(_____ %)	
(2) 8-15 days (III.B.2 - I.B)	(_____ %)	

IV. Payments made 3 days or more before
due date, except where cash discounts
taken:

A. Dollar amount	\$ _____	\$ _____
B. Number	_____	_____
C. Relative Frequency (IV.B. - I.B.)	_____ %	_____ %

V. PROGRESS MADE

Please provide answers to the following questions on separate sheets.

- A. Do you have indications that invoices which are subject to interest penalties were paid after the expiration of the grace period without including such penalty?
- B. Please provide the following for each payment center:
 - 1. Number of payments subject to the act and the circular.
 - 2. Number and dollar amount of interest penalties paid.
- C. How does your system assure that invoices are properly dated and time stamped to ensure that the payment center is able to calculate the proper payment due date and schedule the invoice for payment?
- D. Does your agency's policy require that interest penalties be paid automatically without the vendor having to formally request payment? Are scheduled reviews made to determine that interest is being paid automatically?
- E. When including an interest penalty with an invoice payment, do you clearly indicate the amount of interest on the remittance advice?
- F. Describe other progress made during FY 1986 in implementing the provisions of OMB Circular A-125.